

JLARC to review four transportation-related public utility tax preferences

This review focuses on four tax preferences that exempt transportation businesses from owing public utility tax (PUT) on a portion of their gross income. The exemptions apply to the following activities for truck, rail, and certain water carriers:

1. The in-state portion of providing interstate transportation services.
2. The in-state portion of transporting commodities out of state when there is a stop in Washington (also referred to as through-freight).
3. Transporting commodities from within Washington to a Washington port for shipment out of state by vessel.
4. Transporting agricultural commodities to an interim storage facility in Washington before they are shipped out of state by vessel.



These preferences are included in the 10-year review schedule set by the Citizen Commission for Performance Measurement of Tax Preferences.

Citizen Commission recommended an economic impact study after previous JLARC reviews

JLARC staff reviewed three of these preferences in 2010, and the fourth in 2020. Staff found that the tax preferences were no longer required by the U.S. Constitution following a Supreme Court ruling that permitted taxation of the in-state portion of interstate transportation. However, the Citizen Commission did not endorse the Legislative Auditor's 2010 recommendations to repeal two of the preferences. Instead, the Commission indicated that it was premature to do so without first analyzing the effects of termination on the affected taxpayers and tax revenue.

To date, no state entity has completed this type of analysis, so the Commission scheduled another review to understand the economic impacts of terminating these preferences.

JLARC staff will address the following questions:

1. Has there been any legislative action related to these preferences since 2010, and are the Legislative Auditor's previous conclusions and recommendations still applicable to current circumstances?
2. What are the potential economic impacts on taxpayers, related industries, and tax revenues if these activities were no longer tax exempt?
 - a. What are the racial and ethnic characteristics of the beneficiaries using the tax preferences?
3. How does Washington's taxation of these transportation activities compare to other states, and how might this comparison change if these activities were no longer exempt?

In accordance with RCW 44.28.076, JLARC staff determined there are racial equity considerations for this study and they are included in the study questions above.

Study timeframe

Preliminary Report: July 2023

Proposed Final Report: December 2023

Study team

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JLARC Study Process

